Report for the Third Quarter 2000 and the Nine Months Period ended September 30, 2000

In the first nine months of 2000 INTERSHOP Communications AG continued to pursue its strategy of expansion throughout its global markets and reinforced its position as one of the global leaders in e-commerce software for sell-side applications and solutions. For the first nine months of 2000 revenues grew by 244% to Euro 92.8 million, compared to Euro 27.0 million for the first nine months of 1999. Net loss improved by 38% to Euro 6.8 million. Net loss per share decreased from Euro 0.14 to Euro 0.08.

In addition to the highlights of the first six months which were reported in the first and second quarter reports of 2000, INTERSHOP continued its successful business development in the third quarter through customer wins, channel development, new products, and organisational improvements. As a result of the successful execution of INTERSHOP´s strategy in the third quarter and the first half year of 2000, the Company was able to report record results for the first nine months of 2000.

Highlights of the Third Quarter 2000

281 New Customer Wins

INTERSHOP continued to expand its client base through 281 new customer wins. These new customers brought the total number of customers in the third quarter to 567, including world class enterprises such as Bertelsmann, ABB Motors, Otto Group, Motorola, Shell Chemical, Intel, Wella, Deutsche Telekom, Time Life, Homebase, Playmobil, Spiegel, Vobis, Electronic Partners, Terranetworks, Sparkasse, rooster.com and Altodigital. Repeat business from existing customers accounted for 59 percent of revenues during the quarter which shows INTERSHOP´s solid customer base.

In particular INTERSHOP Enfinity, INTERSHOP´s flagship enterprise e-commerce solution, was again a great success in the market. Its superior architecture, speed to market implementation and low cost of ownership helped differentiate Enfinity from the competition during the quarter. A record number of 64 INTERSHOP Enfinity platforms were sold during the quarter bringing the cumulative number of Enfinity platforms sold to date to 195. The average selling price of Enfinity increased to Euro 238,000 from Euro 145,000 in the first quarter 2000. Enfinity sales rose 39% compared to the second quarter of 2000, with the most significant growth coming in the United States market where Enfinity revenues increased by 159% sequentially. Enfinity contributed 78% of total license revenues compared to 35% in the first quarter and 48% in the second quarter of 2000.

Partner Network expanded

INTERSHOP attracted new integration and consulting partners such as EDS, Etensity, Agility and PSI. At the same time, the Company also expanded its existing relationships with leading e-services companies like IBM Global Services, Hewlett-Packard, PricewaterhouseCoopers, Andersen Consulting, Unisys, Sapient, Pixelpark and Icon Medialab. During the third quarter, revenues generated through channel partners totaled 45% of total revenues. INTERSHOP trained a record number of 3,840 external consultants during the quarter compared to 2,675 in the previous quarter bringing the total number of consultants trained to date in 2000 to 8,074. Of those, 6,244 were trained on Enfinity.

During the third quarter INTERSHOP successfully implemented its partnerships with Hewlett-Packard and Intel, and expanded its global alliance with CommerceOne to connect suppliers to e-marketplaces. As part of that agreement, CommerceOne and INTERSHOP will jointly promote and market e-commerce solutions in addition to aligning, educating and compensating their

global sales forces to offer complementary solutions. Enfinity Cartridges for CommerceOne MarketSite and CommerceOne GalerieConnector have already been developed.

Ongoing Product Innovation

INTERSHOP continued the process of ongoing product innovation to ensure that it would maintain its position at the forefront of technological development. In July, INTERSHOP launched the new release INTERSHOP 4.2 product line for hosted e-commerce services including the INTERSHOP Universal Marketplace Enabler for easy integration of online storefronts into electronic marketplaces. INTERSHOP also focused on the development of INTERSHOP Enfinity 2, which was introduced at the INTERSHOP Open 2 event on October 30. Enfinity 2 offers further improvements such as expanded multichannel selling capabilities including selling through other businesses, hubs, marketplaces and exchanges, as well as peak performance and scalability and pre-packaged integration points with leading business systems.

Worldwide Organization Expanded

INTERSHOP continued its organizational expansion around the world with the total number of employees increasing to 1,017 compared to 494 a year ago. INTERSHOP also established new office locations in Seoul, Taipei, Berlin and Ilmenau (Germany), and existing offices were expanded.

Changes in the senior management helped to strengthen and focus INTERSHOP´s global management team. Bernhard Marbach, Vice President Sales Europe & Asia, was appointed to President Europe & Asia. Philip Oreste, Vice President of Finance for the Americas, was promoted to Acting President of the Americas, replacing Keith Costello who left the position in November. In addition, Knut Foeckler, resigned as a member of the Supervisory Board.

Successful Acquisitions

Effective on July 1st, INTERSHOP acquired Owis GmbH, which added over 70 experienced engineers to INTERSHOP´s workforce. Owis engineers are specialized in object-oriented software development. In August, INTERSHOP acquired Subotnic GmbH. Berlin-based Subotnic specializes in the development of content management software and solutions designed to integrate with electronic commerce systems. Subotnic´s product suite will enable INTERSHOP to expand its product offering by adding ‘Content Integrated Commerce’ functionality to the INTERSHOP Enfinity product suite.

Capital Structure

On August 15, the Company placed 500,000 shares (post-split) with institutional investors and gained net proceeds of Euro 39 million. On September 29, 2000 INTERSHOP successfully completed its listing on the NASDAQ stock exchange. In conjunction with the American Depositary Shares (ADS) listing, INTERSHOP placed 1,675,000 shares or the equivalent of 3,350,000 ADS’s, yielding the Company net proceeds of Euro 116 million. In the first nine months of the current year, a total of 1,162,485 stock options from conditional capital were exchanged for common bearer shares, of which 882,485 from Conditional Capital II (employee options) and 280,000 from Conditional Capital III (for conversion of Inc. shares). As of September 30, a total of 87,728,005 shares were outstanding. On August 16, a 1:5 stock split through a capital increase in capital stock was executed, following the adoption of a resolution at the Shareholders´ Meeting on June 27, 2000. All share information has been restated to reflect this stock split.

Financial Results of the Nine Months Period 2000

License revenues in the U.S. up 280%

For the first nine months of 2000 revenues grew by 244% to Euro 92.8 million, compared to Euro 27.0 million for the first nine months of 1999. With license revenues up 268% to Euro 59.6 million, licensing activities represented the driving force behind this outstanding performance. License revenues increased from 60% to 64% of total revenues. The increase in license

revenues was mainly driven by INTERSHOP Enfinity launched in the fall of 1999. Enfinity license sales contributed 54% of total license revenues. Service revenues including other revenues increased by 208% to Euro 33.2 million. Increased revenues were reported by all geographic regions. In the U.S., the most competitive market for e-commerce software, license revenues increased above average by 280%. The development of the business in Asia was also extremely successful; within less than 12 months after INTERSHOP entered the Asia-Pacific market, revenues from this region accounted already for 7% of total revenues, which exceeded expectations. Accordingly revenue contribution from Europe and the Americas decreased from 58% to 55% and from 42% to 39% respectively - although revenues increased in absolute terms.

Gross Margins of License Sales reached 93%

Total gross profit increased by 224 % to Euro 62.7 million. The total gross margin was 68%, which was lower than the comparable 1999 number of 72%. The decrease was entirely attributable to lower margins in services, which in turn was due to hiring new employees during the quarter who are usually not immediately fully productive. For the licensing activities, gross profit increased by 307%, which brought the margin to 93% compared to 84% in the comparable period. This was due to the high revenue contribution of Enfinity which is usually sold without third party database technology embedded which is different from the INTERSHOP 4 product line.

Investments in Future Growth

INTERSHOP continued to significantly invest in product development, sales, marketing and organizational resources in the first nine months of the year in order to strengthen the Company's position for future growth. Total operating expense was up 123% to Euro 70.1 million. Sales and marketing expense grew by 159% to Euro 48.5 million and was the main cost driver during the period. The increase is attributable to both the increased number of employees in the sales and marketing department and a general increase in marketing program spendings. An advertising campaign which was launched to improve INTERSHOP´s brand awareness in the U.S accounted for approximately Euro 7 million in the third quarter. Research and development expenses increased 31% to Euro 6.7 million which is primarily attributable to the increased number of research and development personnel. General and administrative costs increased 93% to Euro 14.4 million. This increase is attributable to both the larger number of administrative personnel and the general expansion of operations. Goodwill amortization, which was primarily attributable to the Owis acquisition, was Euro 0.5 million. In total, acquisition related costs including expenses for acquired personnel and goodwill amortization came to Euro 1.2 million in the third quarter.

Operating Loss Decreased

Operating loss in the first nine months 2000 decreased 39% from Euro 12.0 million to Euro 7.4 million. While the Company showed an operating profit in each of the first two quarters of the year 2000, third quarter results came in negative primarily due to the extraordinary costs related to the advertising campaign and the Owis acquisition. Other income decreased from Euro 1.0 million to Euro 0.5 million mainly due to an increase in interest expense from short term loans. As a result net loss improved by 38% to Euro 6.8 million. Net loss per share decreased from Euro 0.14 to Euro 0.08. The calculation of the shares used in computing basic net loss per share has been revised to exclude shares issuable upon conversion of INTERSHOP Communications Inc. shares from the calculation of basic net loss per share. This change has also been reflected in comparable 1999 information.

Cash Flows and Cash Position

In the first nine months Euro 29.7 million was used for operating activities, primarily attributable to higher trade receivables and an increase in prepaid expenses. Receivables increased from Euro 23.3 million to Euro 48.0 million. The two primary reasons were the increase in revenues and the timing of sales as most third quarter revenues were closed towards the end of the quarter. Cash used for investing activities, primarily capital expenditure related to the purchase of office equipment, came to Euro 17.8 million. Cash inflow provided by financing activities

resulting mainly from a capital increase came to Euro 65.4 million. As of September 30, INTERSHOP had cash and cash equivalents of 32.7 million Euro, excluding receivables from the secondary offering proceeds of € 115.9 million.

Outlook

Assuming similar business conditions and relatively stable currency rates for the fourth quarter, management expects fourth quarter revenues in the range of Euro 40 million to Euro 50 million and an improvement in operating results compared to the third quarter. INTERSHOP's strategy of investing in prospective growth as well as extraordinary expenses resulting from the acquisitions of Subotnic and Owis are expected to prevent the Company from achieving break-even for the year 2000 as a whole.

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INTERSHOP Communications AG
Condensed Consolidated Balance Sheet (U.S.-GAAP)
(in thousands Euro; unaudited)

	September 30, 2000	December 31, 1999
ASSETS		
Current assets		
Cash and cash equivalents	€ 32,651	€ 12,065
Restricted cash	1,485	1,437
Trade receivables, net	48,039	23,333
Receivable for secondary offering proceeds	115,857	-
Prepaid expenses and other current assets	15,022	3,870
Total current assets	213,053	40,705
Property and equipment, net	17,496	5,610
Investments	2,470	6,222
Other assets	6,650	1,252
Total assets	€ 239,669	€ 53,789
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current debt and current maturities of long-term debt	-	€ 33
Notes payable to shareholder	16,489	7,000
Accounts payable	6,143	5,149
Accrued liabilities	30,919	9,960
Deferred revenue	8,646	8,542
Total current liabilities	62,198	30,685
Long-term debt	-	20
Deferred revenue	37	220
Total liabilities	62,235	30,925
Shareholders' equity		
Common stock	87,728	16,878
Paid-in capital	151,139	48,169
Notes receivable from shareholder	-	(141)
Deferred compensation	(42)	(273)
Accumulated deficit	(63,426)	(45,406)
Accumulated other comprehensive income	2,035	3,636
Total shareholders' equity	177,435	22,864
Total liabilities and shareholders' equity	€ 239,669	€ 53,789

INTERSHOP Communications AG
Condensed Consolidated Statement of Operations (U.S.-GAAP)
(In thousands Euro, except per share amounts; Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	**1999**	**2000**	**1999**
REVENUES				
Licences	€ 19,618	€ 5,690	€ 59,568	€ 16,205
Services, maintanance and other revenue	15,594	4,812	33,186	10,767
Total revenues	35,212	10,502	92,753	26,972
COST OF REVENUES				
Licences	705	1,191	3,986	2,537
Services, maintanance and other revenue	11,825	1,764	26,031	5,069
Total costs of revenues	12,530	2,955	30,017	7,606
Gross Profit	22,683	7,547	62,737	19,366
OPERATING EXPENSES				
Research and development	3,178	2,149	6,712	5,128
Sales and marketing	23,227	6,321	48,545	18,768
General and administrative	5,047	2,537	14,356	7,448
Goodwill and intangible asset amoritization	442	24	475	56
Total operating expenses	31,893	11,031	70,088	31,399
Operating Loss	(9,211)	(3,484)	(7,351)	(12,034)
OTHER INCOME AND EXPENSE				
Interest income	213	106	438	395
Interest expense	(347)	(29)	(486)	(24)
Other income	(464)	57	551	647
Total other income (expense)	(598)	134	503	1,018
Net Loss	€ (9,808)	€ (3,350)	€ (6,849)	€ (11,016)
Basic and Diluted net loss per share	€ (0.12)	€ (0.04)	€ (0.08)	€ (0.14)
Shares used in computing basic and diluted net loss per share	83,756	80,647	83,032	79,108

INTERSHOP Communications AG
Condensed Consolidated Statement of Cash Flows (U.S.-GAAP)
(in thousands Euro; unaudited)

	Nine Months Ended September 30,	
	2000	**1999**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	€ (6,849)	€ (11,016)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	3,883	1,738
Provision for doubtful accounts	1,691	993
Amortization of deferred compensation	231	240
Change in:		
Accounts receivable	(26,158)	(7,605)
Prepaid expenses and deposits	(14,197)	(3,399)
Other assets	(341)	(473)
Accounts payable	973	(141)
Deferred revenue	(79)	(1,278)
Accrued expenses and other liabilities	11,165	(1,036)
Net cash used in operating activities	(29,680)	(21,978)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Unaffiliated Company	-	(1,199)
Cash paid for acquisitions, net of cash acquired	(2,424)	-
Restricted cash	(48)	(1,203)
Purchases of equipment, net of capital leases	(15,299)	(2,615)
Net cash used in investing activities	(17,770)	(5,017)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	56,572	1,193
Proceeds from debt issuance	10,758	939
Collection on notes receivable from stockholders	141	1,046
Repayments of indebtedness	(2,033)	(941)
Net cash provided by financing activities	65,438	2,237
Effect of change in exchange rates on cash	2,598	1,252
Net change in cash and cash equivalents	€ 20,586	€ (23,505)
Cash and cash equivalents, beginning of period	€ 12,065	€ 34,185
Cash and cash equivalents, end of period	€ 32,651	€ 10,680